

Preliminary information on home health market factors

ISSUE: Are payments for home health services adequate to cover the costs of efficient providers? The Commission can begin to consider three indicators of payment adequacy: beneficiary access to care, the rate of agency exit and entry, and access to capital.

KEY POINTS: Most beneficiaries live in an area served by a home health agency and they report little or no problem in obtaining care. The entry and exit of agencies has remained stable for the fourth year in a row.

Few home health agencies access capital through publicly-traded shares or public debt due to the relatively small size of most agencies. Investor sentiment was generally positive for the publicly-traded agencies. Generally, however, this indicator does not provide much evidence regarding the adequacy of payments for the home health sector.

We are developing a new measure of quality for this sector based on the improvement or stabilization of beneficiaries' clinical condition or ability to perform activities of daily living. We expect to measure quality before and after the implementation of the prospective payment system, in 1999 and 2002.

ACTION: This paper introduces several issues to be considered in a home health payment adequacy analysis for the Commission's March report. Staff plans to add estimates of current costs and payments and detail on changes in volume in later presentations. At this time, we seek Commissioners' input on the sufficiency of our work on these factors to date.

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